

HomeBuzz

Welcome to the latest edition of **The Home Front**, your source for homebuyer market information with resources to help first-time homebuyers realize the dream of homeownership.

In this **Summer 2021** edition of **The Home Front**, we report on new home prices, the latest market data trends, and tips for improving your home's value. We also explain the benefits of mortgage insurance in enabling borrowers to purchase or refinance a new home with less than 20 percent down. Discover some useful resources that you can use during your homebuying journey.

HOME PRICE GAINS WERE AT A 15-YEAR HIGH IN MARCH

The March 2021 **CoreLogic Home Price Index (HPI™) Forecast***, designed to provide an early indication of home price trends, shows that home prices rose year-over-year and month-over-month compared to March 2020. Home prices increased 11.3 percent, with the highest year-over-year increases by state in Idaho (25.0 percent), Montana (18.8 percent), and Arizona (18.0 percent) and by metropolitan area in Phoenix (18.3 percent).

The spring 2021 homebuying season is expected to outpace what was seen in 2018 and 2019, due to improvements in the job market and consumer confidence. Millennials made up 54 percent of home purchase mortgage applications in the last year, leading the homebuying charge. However, affordability is expected to decline in the second half of the year, which may dampen purchase demand in an already competitive market of limited for-sale homes. As more people get vaccinated, an increase in construction and for-sale listings may help to moderate the home price growth. These factors have led to the forecast anticipating that annual home price growth will slow to 3.5 percent by March 2022. There is a disparity in anticipated home price growth among metro areas, but the areas with the greatest risk for decline in home prices are Beaumont-Port Arthur, Texas; Brownsville-Harlingen, Texas; New Haven-Milford, Connecticut; and Gulfport-Biloxi-Pascagoula, Mississippi.

“Despite the severe slowdown last year, the 2021 spring homebuying season is trending strong. . . With prospective buyers continuing to be motivated by historically low mortgage rates, we anticipate sustained demand in the summer and early fall.”

FRANK MARTELL
President & CEO | CoreLogic

* This link reflects the most recent data published by CoreLogic and may have been updated since the publication of this article.



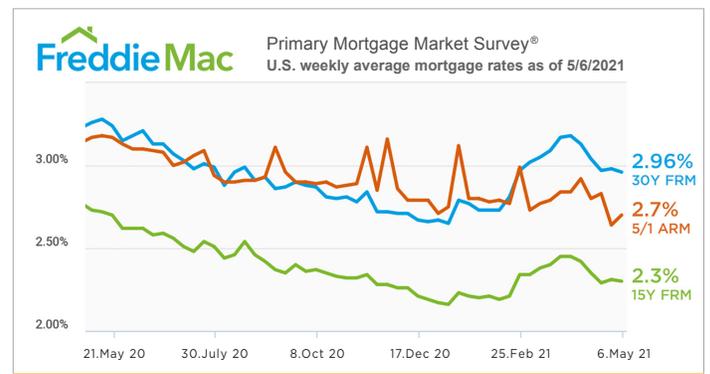
Search [Realtor.com](https://www.realtor.com) to find a local agent.

Mortgage Rates Decrease

DATA AS OF MAY 6, 2021

According to the leading source for mortgage rate data, the **Freddie Mac Primary Mortgage Market Survey***, mortgage rates have stayed below 3 percent for the past 3 weeks, and consumer spending is increasing, leading to an acceleration in economic growth. This combination of consistently low rates and an improving economy is beneficial to homebuyers as well as homeowners looking to refinance.

* This link reflects the most recent data published by Freddie Mac and may have been updated since the publication of this article.



For more information, please visit [corelogic.com](https://www.corelogic.com) and [freddiemac.com](https://www.freddiemac.com)

Did You Know?

Rapid Acceleration in Economic Growth

Expected as Social Restrictions Ease

ACCORDING TO THE **FANNIE MAE ECONOMIC AND STRATEGIC RESEARCH (ESR) GROUP** ON APRIL 16, 2021

The Fannie Mae ESR Group has improved their forecast for full-year 2021 real GDP growth to 6.8 percent, up from 5.3 percent in January. This includes 9.1 percent annualized growth anticipated in the second quarter that is expected to taper off in the second half of the year and is due primarily to the easing of social restrictions brought on by the virus as well as stimulus-driven consumer spending. There are many uncertainties that remain, including the willingness of consumers to tap into their savings and return to previously COVID-restricted activities, well-publicized supply chain disruptions, the pace of inflation, and the uncertainty of monetary and fiscal policies.

Housing demand is strong, but the forecast for annual home sales is slightly lower due to supply constraints and a slightly higher outlook for mortgage rates. Home sales are still expected to rise 6.2 percent year over year in 2021, and home prices are expected to increase 8.0 percent due to a supply-demand imbalance before dropping to 2.9 percent annualized in 2022.

“In the near term, interest rates will remain steady at borrower-friendly levels. In fact, despite the recent increases, mortgage rates remain near historical lows, which we expect will help maintain strong housing demand in 2021.”

Doug Duncan
FANNIE MAE
Senior Vice President & Chief Economist

Market Trends

IN PARTNERSHIP WITH JOHN BURNS
REAL ESTATE CONSULTING

- **91% – OF THE TOP 50 HOUSING MARKETS ARE STRONG OR VERY STRONG**
Up from **82%** in January 2021 and **0%** in April 2020.
- **U.S. UNEMPLOYMENT FELL TO 6%**
in March 2021.
- **32% OF HOMEBUYERS**
who use a mortgage are putting **5%** or less down. The figure jumps to **46%** among those age 28 and younger.

IMPROVING YOUR Home's Value

It's now well into 2021, and as we are beginning to feel like we can see the end to carrying around copious amounts of hand sanitizer and practicing our socially distanced air hugs, we have to acknowledge that some of the pandemic-fueled changes that have altered the value we place on our homes are here to stay. More and more companies are opting for remote work at least a portion of the time, and people are relishing in what it means to have space to themselves. Some may be moving somewhere they've always wanted, finally taking the time to make their house into a home, or even looking at the practical side of things by taking advantage of low interest rates through refinancing. Whichever category you fall into, be it sale, purchase, appraisal, or even just because, we hope this list of tips for improving your home's value will be useful as you determine which project might be right for you, as well as your future buyer:

PAINT

Let's start with an easy one. A fresh coat of paint is relatively inexpensive and can help a space look bright, open, clean, and updated. You can even take it a step further and paint/stain the cabinets in your kitchen or bathroom. Now, we know the allure of a cosmic sky or a velvet crush might seem really enticing when it's fanned out on that pretty, little paint swatch, but keep your cool. Loud colors might seem fun in the moment but trust me when I tell you that light neutrals are your friends.

Since we're talking about walls, we can't leave out the dreaded popcorn ceiling. No one likes them, but they don't have to lord over you like an ominous vat of cottage cheese. Getting rid of a popcorn ceiling is a weekend Do It Yourself (DIY) project that you can easily search for on the internet. Just make sure to have a professional check for asbestos before you get started.

TAKE IT OUTSIDE

If COVID-19 has taught us anything, it's to be grateful for our outdoor space. Pools are cool, but at the end of the day, most of us just want a nice place to relax with our loved ones. We recommend a little landscaping, upgrading outdoor lighting, adding a fire pit, putting in a grill, and/or adding a deck.

A properly placed shade tree not only looks beautiful, but it can cut your cooling costs by as much as 40 percent.¹ Try to also focus on native and/or drought-resistant landscaping. That way, you're not only establishing a beautiful backyard oasis, but you're also making it easier and cheaper to maintain. Additionally, wooden decks can amplify your outdoor getaway. Plus, they can recoup around 72 percent of costs when you decide to sell the home.²

I know we all love a good backyard, but we can't neglect our curb appeal. Particularly when we're talking about selling or appraising a home, the front of your home makes the first impression, so keep that lawn manicured and consider repainting your front door, adding potted plants, filling in any cracks on the porch, and dusting away spider webs.

FIND JOY IN THE KITCHEN

In the 2019 Remodeling Impact Survey, complete kitchen renovations and kitchen upgrades were ranked by REALTORS[®] as the top two projects that were both most likely to appeal to buyers and most likely to add value to the home for resale.² Even if you're not looking to sell right now, the good news is that complete kitchen renovations and kitchen upgrades were also given "Joy Scores" of 9.7 and 10, respectively.² If you ask us, anything that brings that much joy is worth the effort.

We know fully remodeling a kitchen or bathroom is expensive, so if you want to ditch the sledgehammer, look at updating things like light fixtures, handles, faucets, light switch covers, and paint (we're a big fan of paint).

If you have a little extra cash from those pandemic savings that you're ready to put to work, look at putting in new countertops and appliances or adding a dishwasher, on-tap water filter, and/or garbage disposal if you don't have these fixtures already.

SAVE YOUR ENERGY

While we're on the topic of appliances, let's talk energy efficiency. According to the National Association of Home Builders, 86 percent of homebuyers ranked Energy Star appliances as either "essential" or "desirable" and 89 percent said the same about Energy Star windows.³

You can also go the obvious route by putting in solar panels or go the cheaper (yet still effective) route by replacing all the light bulbs in your house with energy-efficient LED lights. HomeGo recommends buying a few different types of bulbs to see which lighting looks the most inviting before committing to switching over the entire home.⁴

Not only are these upgrades desirable to future buyers, but they can save you about \$575 or 30 percent off your energy bill each year.³ This way, you can still reap the rewards, even if you're not looking to sell for a while.

LOOK DOWN

Yes, we mean the floor. It's not the most glamorous upgrade, but it adds a lot of value to your home. Carpets can harbor contaminants and allergens, especially if they are older or if you have pets. Plus, homeowners who install new wood flooring could recoup up to 106 percent of what they spend in increased home value, and refinishing hardwood floors could recover 100 percent of the cost.² If you don't already have wood flooring, consider vinyl or laminate, which looks like real wood, but is more economical and more durable.³

Understanding home improvements isn't just for homeowners. If you're looking to buy, find out which of these projects you could be willing to do on your own throughout the course of your search. If you put less down and take advantage of private mortgage insurance, you can use more of the money that you would have spent on a down payment toward making your home exactly the way you want it.

Adding value to your home doesn't need to be challenging or expensive. We hope that you found some of these tips helpful as you're looking to add value, both financially and personally, to your home.

¹ <https://www.hgtv.com/design/remodel/interior-remodel/30-tips-for-increasing-your-homes-value>

² 2019 Remodeling Impact Report, National Association of REALTORS[®] Research Group

³ <https://time.com/nextadvisor/mortgages/what-home-buyers-want/>

⁴ <https://www.homego.com/blog/increase-value-of-home/>

Leveraging MI: Private MI in the Marketplace

Considering the recent data outlined in the current issue of the **National MI Economic Market Snapshot**, there are advantages to leveraging private mortgage insurance (MI) with borrowers.

- **Consumers have slowly rebuilt their credit profiles.**

In 2019, 59 percent of homeowners had FICO[®] scores above 700, and 81 percent had FICO scores over 600. As of Q3 2020, the median Equifax[®] score at mortgage origination was a record high 786, which is 79 points higher than the median score during the credit heyday of 2006.

Don't assume FHA is the best option. Private MI is typically a better choice for high credit quality homebuyers.

- **The share of existing homes sold to first-time homebuyers is near the lowest level since 1987 at 33 percent.**

Peak share reached in 2010, when 50 percent were first-time buyers.

If you're looking to purchase a home, there are many options for first-time homebuyers.

- **Nearly half of homebuyers aged 28 and younger are putting 5 percent or less down.** The availability of low-down-payment mortgages may be contributing to the slight uptick to a 38 percent rate of homeownership for this youngest age group.

Mortgage 101: Qualifying for a Mortgage

DOWN PAYMENTS

From loan officers to the general public, many people do not fully understand the benefits of private mortgage insurance (MI) or how MI can be used to help borrowers get into a home sooner and more affordably. The low-down-payment options available, including the ability to purchase a home with as little as **3 percent down**, is quite a drop from the typical 20 percent down payment required for a loan without MI. FHA requires 3.5 percent down. The time it takes for a borrower to save the additional funds could delay the process of getting into a home.

CREDIT SCORES

At its essence, a credit score indicates a consumer's likelihood to make his or her future loan payments based on their credit data and credit patterns over time. It is a numerical expression based on an analysis of a person's credit files. Three-quarters of U.S. mortgages are approved using the Fair Isaac Corporation (FICO[®]) score, which ranges from approximately 300 to 850 points.

A FICO[®] SCORE OF 620 AND ABOVE QUALIFIES FOR AN MI LOAN

While a higher FICO score will garner the best interest rates on most types of loans, a FICO score of 620 and above will qualify for an MI loan. According to an Ellie Mae report released in December 2020, the average FICO score on all closed loans reached 751, up 16 points from December 2019.

MORTGAGE PROCESS

For the loan process to go smoothly, the initial application needs to be complete. The loan officer will obtain information and documentation pertinent for receiving loan approval. A borrower will need to obtain their credit report, gather documentation, consult with a lender to review their income, expenses, and financial goals, and consider obtaining a pre-approval letter or pre-qualification for a mortgage.

Getting Started

USE A MORTGAGE CALCULATOR – RENT VS BUY

Use a mortgage calculator to test different scenarios for your future – **Should you rent or buy? How much home can you afford? What kind of payments can you handle?** There are four variables in any mortgage calculator – **1| Loan Term, 2| Loan Amount, 3| Monthly Payment, 4| Mortgage Interest Rate**. If you know any three of these variables, you can figure out the last one to help plan your future living space.

 You can find our Rent vs. Buy Calculator on our Mortgage Calculators page. Give our calculators a try and share with your clients: [National MI Calculators](#)

TIPS FOR BORROWERS STARTING THE LOAN PROCESS

- 1 Do NOT** change companies or end a job during the loan process.
- 2 Do NOT** open or apply for any new credit cards, car loans, or any other type of debt.
- 3 Do NOT** make big purchases during the loan process (TVs, home electronics, furniture, etc.).
- 4 Do NOT** make any large deposits into your bank accounts without documented proof from the source you received it from.
- 5 ALWAYS** make your payments on time each month.
- 6 Do** call your real estate agent and loan officer to help guide you through the process.

Mortgage Application Checklist

Salaried Borrowers and/or Co-Borrowers (Not Self-Employed)

- Signed federal personal tax returns for the two most recent years filed including W-2s and all schedules (and current extension if applicable)
- Paystub(s) covering most recent 30-day period including year-to-date earnings
- Verification of the two most recent years' history of bonuses or commissions if applicable, via paystubs or employer-written verification
- Written explanation for any gaps in employment

All Applicants

- Bank and asset account statements for the past 2-3 months for all checking, savings, investment, and retirement accounts
- Name and phone number of insurance agent
- Copy of one of the following identity verification documents: driver's license, government-issued photo ID, U.S. military ID, or passport
- If this is for a condominium or planned unit development, the name and phone number of the homeowners association
- If the title or property vesting will be held in a trust or other entity, please contact your financial institution's relationship manager for a list of applicable documents

Purchasing a Property

- Fully executed purchase agreement with all addendums
- Name and phone number of real estate agent

Refinancing a Property

- Copy of current evidence of homeowners insurance

Self-Employed Borrowers and/or Co-Borrowers

- Signed federal personal tax returns for the three most recent years filed with all schedules (and current extension if applicable)
- Signed federal entity(ies) tax returns (1120, 1120S, 1065) for the three most recent years filed with schedules and K1 statements
- Signed and dated current profit & loss statement and balance sheet for the entity(ies) on company letterhead
- Written explanation for any gaps in employment exceeding one month during the past two years

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2100 Powell Street, 12TH Floor
Emeryville, CA 94608

CONTACT INFORMATION:

PHONE: 855.530.6642
EMAIL: marketing@nationalmi.com